

THE PALACE AMUSEMENT COMPANY (1921) LIMITED

Report of the Directors

OVERVIEW

The year to June 30, 1995 saw a greater level of stability in the economy than the year before with the rate of inflation and interest rates subsiding. The exchange rate of the Jamaican dollar to the "bench mark" currency remained literally stable during the period. However, during the final quarter of the Company's fiscal year, the exchange rate came under pressure. Although the inflation rate averaged approximately 1% per month compared to more than 2% on average per month in the previous year, it was still way ahead of the country's major trading partners; and thus the Jamaican dollar lost some value.

During the period, there was increased agitation on the Industrial Relationship scene; this did not however, significantly affect the disposable income of our target market. We can only hope that good sense will prevail with sufficient calm to allow the economy to progress and stabilize. To achieve this will require the co-operation of the Government, the Private Sector, Workers and Trade Unions.

THE RESULTS

Against this background, the Directors were able to guide the Company successfully - generating Turnover of \$175,661,297, an increase of 53% over 1994 and Profit After Taxation of \$2,459,921 after taking an Exceptional Charge of \$3,005,830 for renovation of a Subsidiary compared to \$1,778,286 in 1994, an increase of 38%. This transformed into an earning for stockholders of 175.53 cents per stock unit.

In our last Report we spoke of a softening in demand in our downtown market. During the period under review, admissions decreased from 1,222,324 to 1,128,584; Gaiety and Odeon H.W.T. continue to be the major contributors to the decline. Our newly renovated Cinema - Harbour View Drive In helped to balance the scale however with increased admissions and concessions sales. Our other cinemas continue to do well.

The Financial Statements reflect a decline in the Working Capital position; we however, hasten to add that our industry is subject to seasonality and is substantially a "cash business". Therefore, with continued profitability and aggressive pricing strategy this will change.

QUALITY OF PRODUCT

Our industry, and hence our income is product driven. We are able to see as much as six months ahead: the products available for 1995/96 seem to be above average and the pictures being produced have been increasingly more suited to the "middle income" patrons as opposed to low income. This is why improvements to our cinematic plant is of great importance.

DIVIDENDS

The Directors are pleased to recommend that a 25% dividend be paid to Shareholders, out of the profits for the year.

DIRECTORS

During the year Mr. Russell Graham Jnr. the newest member of the Board, passed away. We the Directors regret his untimely death as his acquired wealth of information and foresight were left untapped.

Under Articles 94 to 95 of the Articles of Association, the retiring Directors are:

Messrs. Oswald Cooke
Vincent Wong
Douglas Graham

all of whom being eligible offer themselves for re-election.

AUDITORS

Price Waterhouse has signified their willingness to continue in the office of Auditors.

FUTURE

Subsequent to the year end, the Company entered into an arrangement with Island Life Insurance Company to renovate and lease their Auditorium. This new "jewel in our crown" should prove worthwhile in the medium run. Our improved Turnover this past year was due mainly to aggressive pricing and reduced "transaction time per patron" in all our renovated cinemas. Hence, we will continue our programme of upgrading concession facilities in all locations.

We expect the Company's profitability to accelerate and the 1995/96 results to equal that of 1994/95 if the present economic factors remain the same.

ACKNOWLEDGEMENTS

We acknowledge the co-operation and support received from Management and Staff during the year.

Eric Abrahams
Chairman of the Board

Douglas Graham
Managing Director